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C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 000280

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SUBJECT: ARMENIA'S NEW POLITICAL LANDSCAPE

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Classified By: DCM A.F.Godfrey for reasons 1.4 (b,d).

SUMMARY

¶1. (C) Although parliamentary and presidential elections are still more than a year away, Yerevan's political season is well and truly underway. Several well-known political and business figures have announced the formation of new political parties in early 2006, in effect revealing their ambitions to play a major role in the 2007 parliamentary elections. Local business tycoon Gagik Tsarukian, former "Nagorno-Karabakh Minister of Defense" Samvel Babayan, Presidential Chief of Staff Artashes Tumanyan and opposition leader Albert Bazayan have gone public with their plans to mobilize constituents and negotiate with other political parties about possible alliances. These new parties, now part of an already crowded constellation of small parties in Armenia, are based primarily on the business or personal connections of their founders, with little or no indication of specific platforms or policy agendas. Their appearance on the political scene has sparked a flurry of negotiations and rumors about possible alliances in the lead-up to the 2007 elections. In light of an already fractioned opposition with apparent funding problems, and a governing coalition with few ideological links, we expect these new parties (and their catch-all formats) to provide the space for parties to coalesce in advance of the 2007 elections. Their founding is the biggest domestic political news of late as eyes turn toward the already highly-anticipated 2007 election and its role as barometer for the next presidential contest. End Summary.

"PROSPEROUS ARMENIA" ATTRACTS DALLAKIAN, AND BIG MONEY

¶2. (C) Although Tsarukian (aka Dodi Gago) formally registered Prosperous Armenia in the summer of 2004, it has only recently entered the political arena. In the wake of the flawed constitutional referendum, the party became significantly more active, building on an extensive regional party structure made possible in part by Minister of Territorial Administration Hovik Abrahamian's identification of prime office space around the country. Viktor Dallakian, confirming that he had accepted Tsarukian's offer to lead the party, told us that Tsarukian was financing Prosperous Armenia, paying its activists and party workers, and continuing his extensive philanthropic activity, especially in his native Kotayk region. (Note: Most political parties in Armenia rely on a strictly volunteer work force, with few, if any, paid positions. End Note.) Tsarukian's political

opponents, including United Labor Party (ULP) leader Gurgen Arsenyan, have complained bitterly to us about Prosperous Armenia's heavy use of government administrative resources in the regions, noting that even well-financed parties (including ULP) cannot compete.

¶3. (C) Tsarukian's close ties to President Kocharyan (including continuing business ties linking the families first through Kocharyan's late brother) and Defense Minister Sargsyan already make him a visible part of the political spectrum, his dismal attendance record in the National Assembly and his nearly apolitical stance on policy issues notwithstanding. Tsarukian and pro-government Republican Party leaders (including Prime Minister Markarian and Minister of Territorial Administration Abrahamian) are reportedly in negotiations about forms of cooperation in the run-up to the 2007 elections.

¶4. (C) Tsarukian successfully recruited independent opposition MP (still nominally part of the opposition Justice Bloc) Victor Dallakian to help lead his party. Dallakian has a reputation as a well-connected opposition MP (who at one point chaired the National Assembly Standing Committee on State and Legal Affairs and holds a single-mandate seat in the National Assembly) with substantial connections among opposition leaders. Tsarukyan is clearly looking for support across political lines and has made public calls for Armenians to feel welcome to join his party regardless of their previous political affiliations. The Tsarukyan-Dallakian alliance, while ideologically unclear,

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has the potential to marry big money with big ideas. While some Armenians may view Tsarukyan's wealth with some suspicion, he is one of the first political figures to openly use his business success as a political selling point and may find traction with unaffiliated, upwardly mobile Armenians looking to make a name for themselves on the political scene.

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¶5. (C) In conversations with us, Dallakian has been careful to emphasize Prosperous Armenia's liberal democratic and free-market credentials. Dallakian told us that the party's ideology would be based on two main principles: there will be no oligarch members (with the exception of Tsarukian, of course) and party personnel will be professional and well paid. Going into the parliamentary elections, Dallakian claimed, the party list "will give voters a choice of a number of decent candidates suitable for cabinet positions," although he did not yet share any specific names. According to Dallakian, the political platform will include the respect of democratic values and freedoms, including free and fair elections, battling corruption, and enhancing social justice.

CONTROVERSIAL N-K FIGURE FOUNDS HIS "ALLIANCE"

¶6. (C) Former Nagorno-Karabakh "Defense Minister" Samvel Babayan founded his "Alliance" Party less than two years after his early release from prison for the attempted murder of N-K "President" Arkady Ghukasyan. Famous for his dicey rhetoric and no stranger to controversy, Babayan claims that his party will be neither a pro-government nor opposition party, but merely "pro-Western." While the details of the party's political platform are still vague, Babayan claims to already have more than 5,000 supporters nationwide. In recent press interviews, Babayan said he has no aspirations to run for President in 2008. He claims to have substantial financial backing for his party's parliamentary campaign. He recently stated, "I'm not going to wait for financing from America, Russia, or Europe. I've solved my money problems." (Note: Babayan holds significant shares in a number of lucrative businesses run by local tycoon Hrant Vardanian, as well as a significant personal fortune amassed during his

years as N-K "Defense Minister." End Note.)

17. (C) Babayan has entered into negotiations with some surprising parts of the Armenian political establishment about potential cooperation in the parliamentary campaign or in a post-election bloc. Babayan told us that he was talking with opposition leader Raffi Hovannissian's Heritage Party, long-time opposition figure Artashes Geghamian and his National Unity Party, the opposition National Democratic Union (led by Vazgen Manukyan) and the independent United Labor Party about future cooperation. Even Armenian Revolutionary Federation (ARF - "Dashnaksutyun") leaders (who in the past have been critical of Bababyan) do not deny that they are open to the possibility of a political union. (Note: Only Vazgen Manukyan has confirmed to us, however, that he is in discussions with Babayan, although Hovannissian has coyly told us that he was "talking to everyone who was interested." End Note.)

PRESIDENTIAL CHIEF OF STAFF GOES EUROPEAN PRE-2007

18. (C) After months of rumors about where he would come out on the political scene, Presidential Chief of Staff Artashes Tumanyan founded the "New Country" Party earlier this year. Tumanyan, who has held numerous high-level posts including National Assembly Deputy Speaker in Armenia's first post-Soviet parliament, is selling his party as pro-Europe and says the party's platform will focus on Armenia's European Union membership by 2015. Tumanyan has many ties to the ARF and even ran for office on the ARF's 2003 party list. To date, however, both he and the ARF have been quiet about any potential cooperation. Tumanyan has worked extensively on party development in his native Lori region and has staged several publicity events in the northern cities of Vanadzor and Alaverdi.

OPPOSITION STILL SCURRIES FOR CASH AND SUPPORT

19. (C) Opposition parties promised to renew their efforts following the November 2005 constitutional referendum. The major parties within the opposition, however, clearly disagree on a strategy for the 2007 elections. People's Party Chairman Stepan Demirchian rejected plans earlier this year for a new umbrella structure that would unite opposition parties. Republic Party chairman Aram Sargsian announced a new "anti-government committee" in January that would bring together NGOs and other non-partisan actors to forge strategies to oust the Kocharian administration. To date, no other opposition party has voiced public support for Sargsian's plan.

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10. (C) The opposition's biggest problems, however, may not be political. Funding for some opposition parties has run dry, leaving their leaders with uncertain futures and their staffs with months of unpaid salaries. Aram Sargsian's Republic Party is among the opposition parties currently experiencing such severe funding problems that they have stopped paying their professional staff. Sargsian's chief party activist is currently moonlighting at a human rights NGO and Vazgen Manukian's staff, facing six months of salary arrears, are starting to shop around for other jobs following his lack of success in drumming up funds in Moscow in early February.

COMMENT: SAME POND, MORE FISH, DIVIDING THE SPOILS

11. (C) In light of an already fractioned opposition with apparent funding problems, and a governing coalition with few

ideological links, we expect these new parties (and their catch-all formats) to emerge as a unifying, rather than dividing, force in the 2007 elections. (Note: Current maneuvering would leave National Assembly Speaker Baghdasarian's party, Country of Law, out in the cold. We expect that, absent the support from Serzh Sargsyan that launched him into parliament, Baghdasarian's party will be unable to garner the votes necessary to reenter parliament as a major player unless Baghdasarian is allowed to ride Prosperous Armenia's coattails. End Note.) By capitalizing on the need for a structure to unify the small parties, these new, personality-based parties run the risk, however, of being more about popularity than policies. Their emergence is the biggest domestic political news of late as eyes turn toward the already highly-anticipated 2007 election. With the question of who President Kocharian and Defense Minister Sargsyan will back (or if Sargsyan will himself run) in 2008 still foremost in people's minds, we predict that these parties and their founders will wait for the results of the parliamentary elections before making any big announcements about a run for the presidency.

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